

## SECURITIES AND EXCHANGE COMMISSION

### Sunshine Act Meeting

Notice is hereby given, pursuant to the provisions of the Government in the Sunshine Act, Pub. L. 94-409, that the Securities and Exchange Commission will hold the following meeting during the week of September 1, 1997.

A closed meeting will be held on Thursday, September 4, 1997 at 10:00 a.m.

Commissioners, Counsel to the Commissioners, the Secretary to the Commission, and recording secretaries will attend the closed meeting. Certain staff members who have an interest in the matters may also be present.

The General Counsel of the Commission, or his designee, has certified that, in his opinion, one or more of the exemptions set forth in 5 U.S.C. 552b(c) (4), (8), (9)(A) and (10) and 17 CFR 200.402(a) (4), (8), (9)(i) and (10), permit consideration of the scheduled matters at the closed meeting.

Commissioner Johnson, as duty officer, voted to consider the items listed for the closed meeting in a closed session.

The subject matter of the closed meeting scheduled for Thursday, September 4, 1997, at 10:00 a.m., will be:

Institution and settlement of injunctive actions.

Institution and settlement of administrative proceedings of an enforcement nature.

At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 942-7070.

Dated: August 28, 1997.

**Jonathan G. Katz,**  
Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-38972; File No. SR-CBOE-97-34]

### Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change by the Chicago Board Options Exchange, Incorporated Relating to Duties of Market Makers

August 26, 1997.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 24, 1997 the Chicago Board Options Exchange, Incorporated ("CBOE" or "Exchange") filed with the Securities and Exchange Commission ("SEC") or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to add an interpretation to Rule 8.7 and to Rule 7.5 to clarify CBOE's policy regarding the enforcement of those rules concerning the obligations of Market-Makers.

The text of the proposed rule change is available at the Office of the Secretary, CBOE and at the Commission.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

The purpose of the proposed rule change is to clarify the Exchange's policy regarding the enforcement of

Rule 8.7 and Rule 7.5 concerning the obligations of Market-Makers. Rule 8.7(b) presently provides that, for each class of option contracts for which a Market-Maker holds an appointment under Rule 8.3, the Market-Maker has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in dealings for his own account when there exists, or it is reasonably anticipated that there will exist, a lack of price continuity, a temporary disparity between the supply of and demand for a particular option contract, or a temporary distortion of the price relationships between option contracts of the same class. In short, Rule 8.7(b) sets forth a Market-Maker's obligation to make markets in a class of options in which he holds an appointment.

Rule 7.5 presently provides a mechanism by which Exchange Order Book Officials may "call upon" Market-Makers to make bids (offers) in a particular class of options that contribute to meeting the standards set forth in Rule 8.7. In particular, at the request of a floor broker or on the Order Book Official's own initiative in the interests of a fair, orderly and competitive market, an Order Book Official may call upon those Market-Makers who hold an appointment to the particular options class or who that day have effected a transaction for their accounts in that class of options. The Order Book Official is required to make a record of Market-Makers "who fail to respond" to this request.<sup>2</sup>

The Exchange has always interpreted Rule 8.7(b) as applying to Market-Makers who are present on the Exchange floor and as applying with

<sup>2</sup> In addition, the Commission notes that other CBOE rules exist to help ensure a sufficient number of Market-Makers will be available to make markets in a particular trading crowd. For example, Rule 8.3(a) permits the CBOE Market Performance Committee to make additional Market-Maker appointments whenever this committee deems such action to be in the interests of a fair and orderly market. Therefore, if there were an insufficient number of Market-Makers to respond to a call to a particular trading crowd, the Market Performance Committee could appoint additional Market-Makers to the classes traded at the affected trading crowd, which would make those additional Market-Makers subject to the call to that trading crowd under Rule 7.5. Should the Exchange be unable to require a sufficient number of Market-Makers to appear at an affected trading crowd, the CBOE Allocation Committee could move the location on the Exchange's trading floor where the affected option classes are traded to a trading crowd that has an adequate number of Market-Makers present or that has a Designated Primary Market-Maker ("DPM"). DPMs, in contrast to Market-Makers, are required to be present at their trading posts throughout every business day. See also Letter from Arthur B. Reinstein, Senior Attorney, CBOE, to Michael Walinskas, Senior Special Counsel, Division of Market Regulation, SEC, dated August 20, 1997 (discussing the aforementioned safeguards).

<sup>1</sup> 15 U.S.C. 78s(b)(1).